



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

Internal Audit Section

DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 28, 2011

Martin Rafanan, Executive Director
Gateway Homeless Service
1000 North 19th Street
St. Louis, MO 63106

RE: Gateway Homeless Service (Project #2011-AHC04)

Dear Mr. Rafanan:

Enclosed is a report of our fiscal monitoring review of Gateway Homeless Service for the period May 1, 2010 through December 31, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Gateway Homeless Service. Fieldwork was completed on February 11, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Affordable Housing Commission (AHC) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Angela Morton Conley, Executive Director, Affordable Housing Commission



CITY OF ST. LOUIS

AFFORDABLE HOUSING COMMISSION (AHC)

**GATEWAY HOMELESS SERVICES
CONTRACT AGREEMENT #18-10G**

**FISCAL MONITORING REVIEW
MAY 1, 2010 THROUGH DECEMBER 31, 2010**

PROJECT #2011-AHC04

DATE ISSUED: March 28, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
GATEWAY HOMELESS SERVICE
FISCAL MONITORING REVIEW
MAY 1, 2010 THROUGH DECEMBER 31, 2010**

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INTRODUCTION

Background

Contract Name: Gateway Homeless Service

Contract Number: 18-10G

Contract Period: May 1, 2010 through April 30, 2011

Contract Amount: \$475,000

The contract provided funds from Affordable Housing Commission (AHC) to Gateway Homeless Service (Agency) for safe, nurturing emergency shelter services that empower the greater St. Louis area homeless people to move into transitional and permanent housing.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local AHC requirements for the period May 1, 2010 through December 31, 2010, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by AHC. Evidence supporting the reports the Agency submitted to AHC was tested and other procedures were performed, as considered necessary.

Exit Conference

The Agency was offered the opportunity for an exit conference on March 16, 2011, but the Agency declined.

Management's Responses

Management's responses to the observations and recommendations were due by March 23, 2011. As of the date of this report, the Agency had not responded.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with local AHC requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, project #2009-AHC01, issued August 13, 2009, contained the following observation:

Opportunity to improve recordkeeping (**Resolved**)

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with local AHC requirements.

1. Opportunity to submit programmatic reports in a timely manner
2. Opportunity to improve controls over payroll reimbursement requests (questioned cost \$691.62)

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Submit Programmatic Reports In A Timely Manner

A review was performed to determine whether the programmatic reports were submitted timely as required by the contracts. IAS noted that the second quarterly report was submitted timely; however, the first quarterly report was not. The report was due August 20, 2010, but was submitted 27 days late, on September 17, 2010.

Section 7 of the contract requires the Agency to submit programmatic and financial reports no later than the 20th calendar day of the next quarter. In addition, Section 24 states if the financial statements are not received by the 20th or its programmatic reports are more than thirteen days late, reimbursements may be held up until delinquent reports are received.

It appeared the Agency did not have a system of internal controls in place to ensure that the quarterly reports were submitted timely. As a result, the Agency did not comply with the contract requirements and risked delays in receiving funds requested.

Recommendation

It is recommended that the Agency implement control procedures to ensure that quarterly reports are submitted timely in accordance with the contract.

Management's Response

As of the date of this report, the Agency had not responded.

2. Opportunity To Improve Controls Over Payroll Reimbursement Requests (Questioned Cost \$691.62)

The payroll reimbursement requests for May, July, and September 2010 were reviewed to determine whether amounts reimbursed were actually incurred or paid. The review of the September payroll revealed that the Agency had questionable cost totaling \$691.62 as follows:

- The Agency was reimbursed for \$420.13 for overtime cost. However, the amount recalculated at 34.4%, as required by the terms of the contract, was \$257.63, resulting in questioned cost of \$162.50.
- The Agency was reimbursed for \$6,601.14 for health insurance cost. However, the actual amount paid was for \$6,072.02, resulting in questioned cost of \$529.12.

According to Section 5 of the contract, no more than the amounts specified in budget may be expended for any cost category without the prior written approval of the commission. In addition, Section 4 of the contract allows for compensation to be provided on a reimbursable basis. Also, sound accounting practices require controls such as review of the Agency records of costs to funds received.

The Agency was unsure as to the cause of the difference in overtime. The difference in health insurance cost was due to the reduction of employees' contributions to the premium. It appeared the Agency did not have a system of internal controls in place to ensure that cost incurred or paid agreed with the reimbursement requests and contract requirements. According to Section 11 of the contract, the Agency may have to repay the questioned costs from funding other than funds provided by AHC.

Recommendations

It is recommended that the Agency implement control procedures to ensure reimbursement requests agree with actual expenditures. It is also recommended that the Agency discuss the questioned cost of \$691.62 with AHC to determine if the funds should be returned, as required by Section 11 of the contract.

Management's Response

As of the date of this report, the Agency had not responded.